

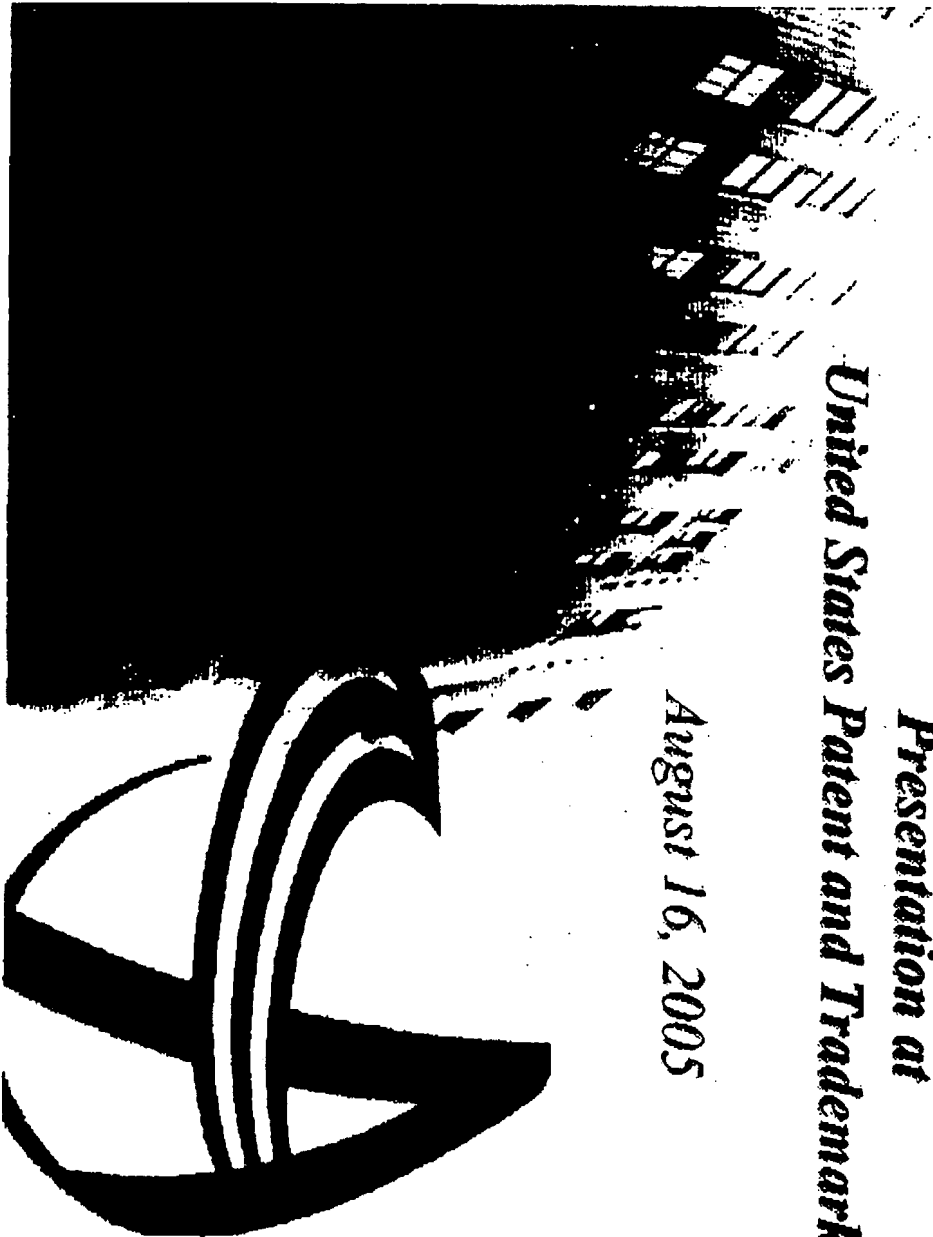
Exhibit 1

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Actively Managed Exchange Traded Funds

*Presentation at
United States Patent and Trademark Office*

August 16, 2005



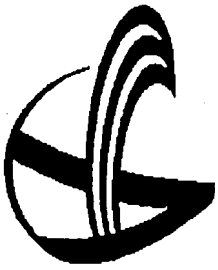
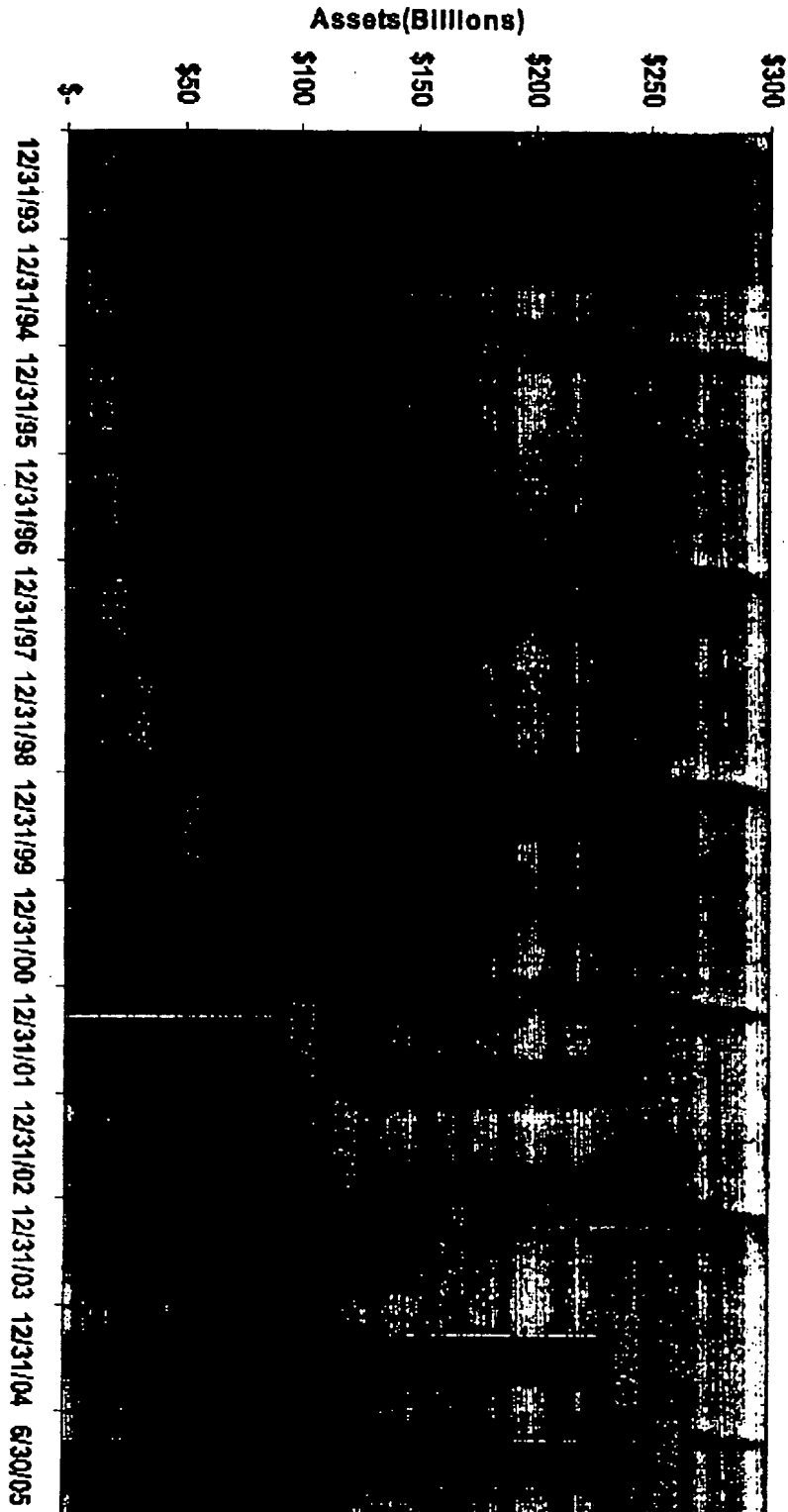
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Presentation Objectives

- Review current ETF market**
- Discuss current ETF structure and mechanics**
- Discuss Actively Managed ETF Demand**
- Discuss Actively Managed ETF Challenges**



Growth In Assets



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Exchange Traded Funds – Key Concepts

→ Full Transparency

- The act of disclosing the holdings of a portfolio to the marketplace on a daily basis.

→ Arbitrage

- The simultaneous purchase and sale of substantially identical assets in order to profit from a price difference between the two assets.

→ Hedging

- Transactions in a contract, security, or other instrument intended to partially or fully offset some type or element of risk.

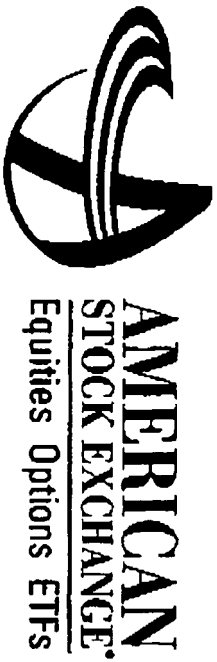
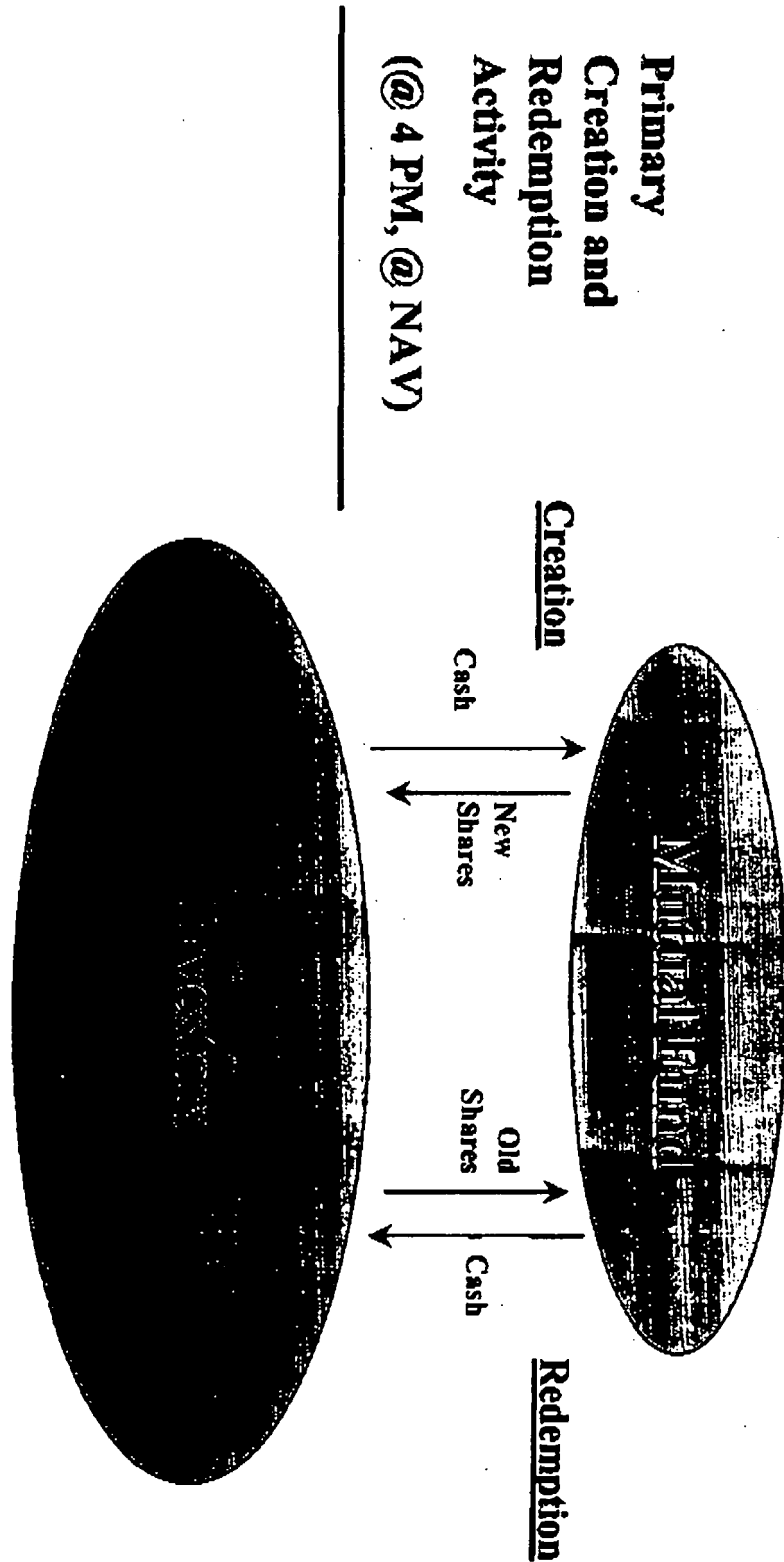
→ Specialist/Market Maker

- A member of an exchange who accepts primary responsibility for making a fair and orderly market in a security at all times the exchange is open for business.

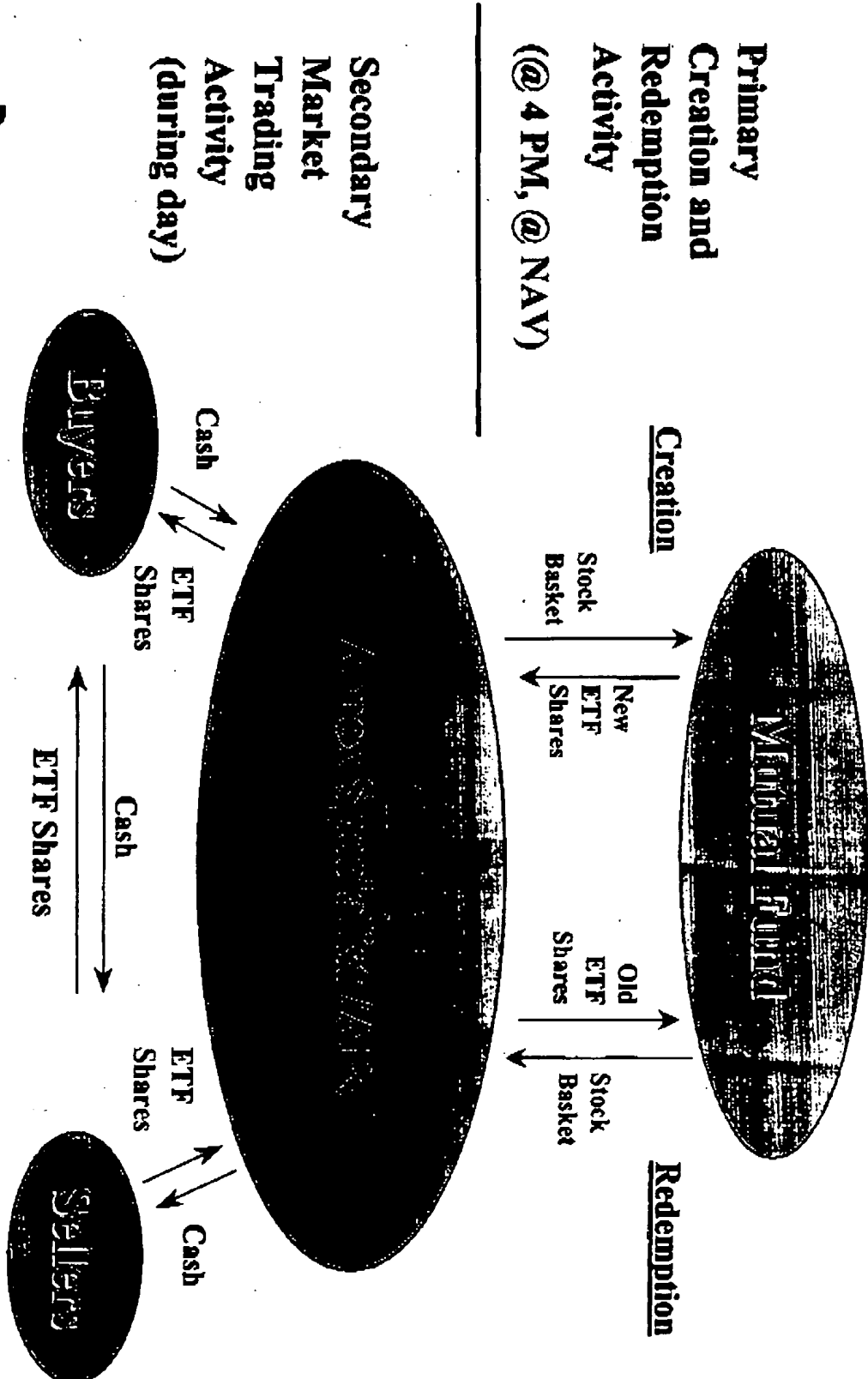


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ETFs – Structure & Mechanics



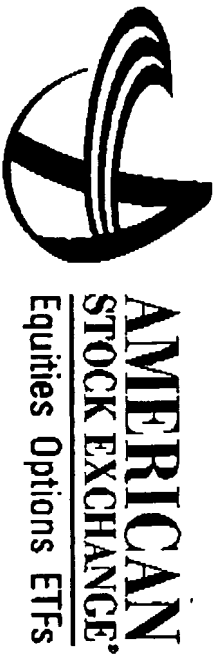
ETFs – Structure & Mechanics



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Exchange Traded Funds – Structure

- **Currently Only Index-based**
- **Full transparency of holdings**
- **Full transparency easily permits:**
 - **Publishing intra-day indicative value**
 - **Very low-risk arbitrage**
 - **Highly effective hedging**
 - **Straightforward creation/redemption**



Actively Managed ETFs – Long Felt Need

↓ “Actively managed ETFs have yet to be filed with the SEC because nobody has yet been able to figure out how to create one... It seems that only a few rocket scientists at the American Stock Exchange.. have the ability to envision the mechanics of putting together an actively managed ETF.”

-- Financial Research Corp., April, 2000



Actively Managed ETFs – Long Felt Need

→ *“What about actively managed funds? Will they ever come in the exchange-traded variety?” The consensus at an industry conference . . . is that they will.”*

-- The Street.com, May 16, 2000



Actively Managed ETFs -- Long Felt Need

**↓ “About a half-dozen mutual-fund companies
are interested in launching actively managed
exchange-traded funds.”**

-- The Wall Street Journal, May 16, 2000



Actively Managed ETFs – Long Felt Need

↓ *“[Actively managed exchange-traded funds], the most ambitious of the new products, faces huge hurdles that could take years to clear. But that hasn’t stopped fund companies from pouring money into development.”*

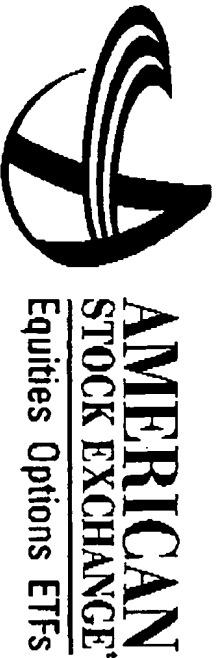
-- The Wall Street Journal Europe,
September 26, 2000



Actively Managed ETFs – Long Felt Need

→ “At least six firms are slated to offer actively managed ETFs in the next year, although portfolio transparency issues must be resolved beforehand.”

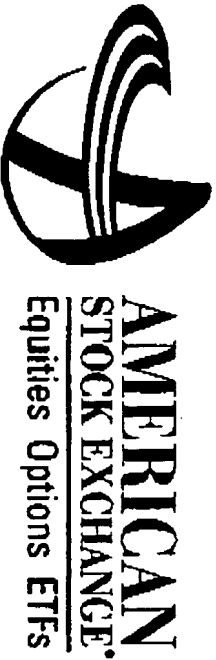
-- Sovereignwealth.com, 2001



Actively Managed ETFs – Long Felt Need

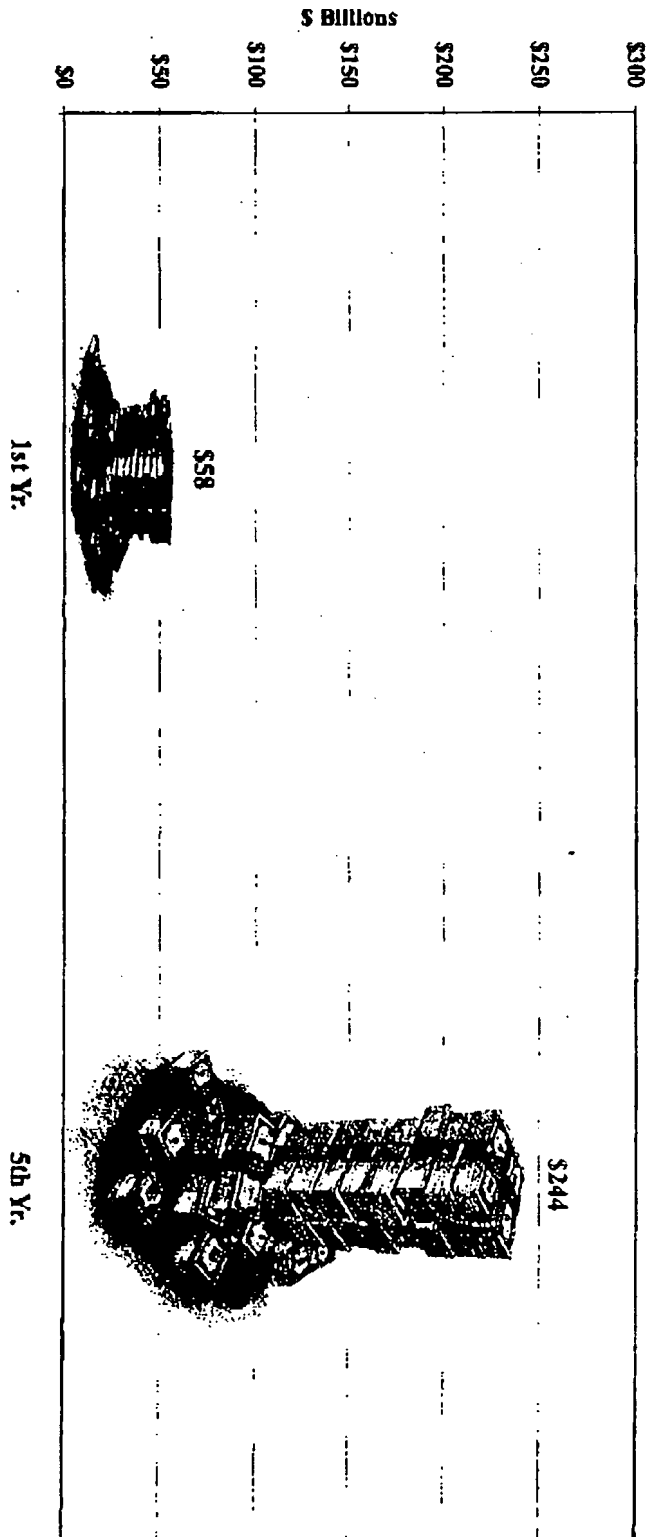
→ “Recently, the concept of an ‘actively managed ETF’ has attracted significant attention, even though many of the details regarding the potential operations of actively managed ETFs are apparently still in development.”

-- SEC Concept Release, November 2001

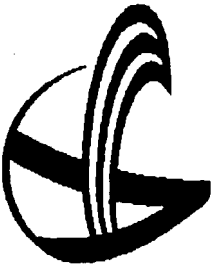


Actively Managed ETFs – Growth Prospects

Projected Asset Growth (in \$Billions)



Source: Financial Research Corporation study, May, 2000



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Actively Managed ETFs – Challenges

→ There has been one intractable problem preventing the introduction of actively managed ETFs:

ETFs seem to require full transparency, but fund managers are unwilling to make actively managed funds fully transparent.



Mutual Funds & Transparency - Issues

→ Fund managers do not want full transparency for 2 primary reasons:

→ Front-Running

→ A situation wherein entity A, with advance knowledge of an impending transaction by entity B, executes the same transaction prior to B in order to profit from B's transaction.

→ Free-Riding

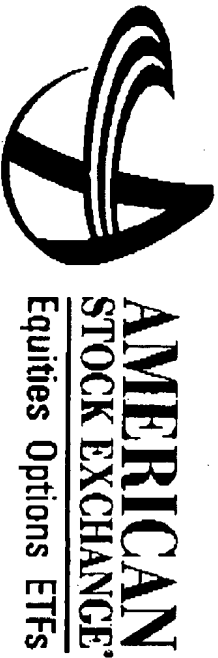
→ A situation wherein investor A is able to construct a portfolio which mirrors a fund manager's portfolio due to knowledge of the fund's holdings. Thus, A is able to enjoy the benefits of the manager's knowledge without paying the manager.



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Actively Managed ETFs – Challenges

- Thus, the problem is how to make actively-managed ETFs work without full transparency.
- How to provide a hedging basket.
- How to make arbitrage possible.
- How to provide an indicative intra-day calculation.

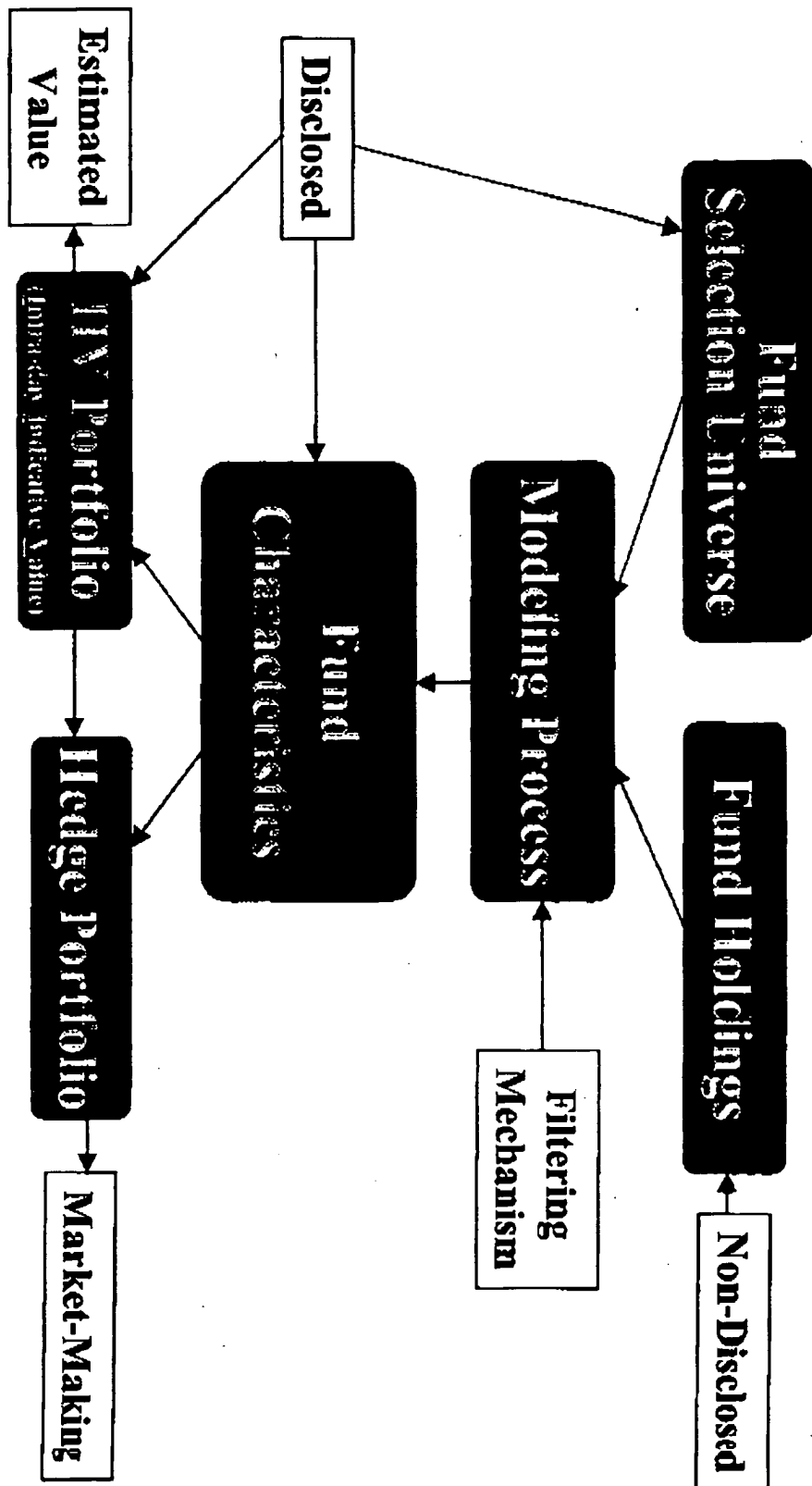


Actively Managed ETFs – Solution

- The Amex Solution
 - Full transparency not required
 - Key insight: only enough information needed
- An assumed intractable problem has been solved.



Actively Managed ETFs – Solution



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